

Message Text

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INFO AMEMBASSY GEORGETOWN

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LIMITED OFFICIAL USE BRIDGETOWN 1627

E.O. 11652: N/A

TAGS: EAIR ETRN XL

SUBJ: CIVAIR: PROPOSED LIAT PURCHASE BY REGIONAL GOVERNMENTS

REF: BRIDGETOWN 1622 AND PREVIOUS (NOTAL)

BEGIN UNCLASSIFIED

1. COMMUNIQUE ISSUED BY REGIONAL GOVERNMENTS FOLLOWING ANTIGUA MEETING ON LIAT'S FUTURE CONTAINS FOLLOWING POINTS:

A) GOVERNMENT OF ANTIGUA TO TAKE STEPS TO ESTABLISH ANTIGUA-BASED MULTINATIONAL COMPANY TO TAKE OVER LIAT ASSETS;

B) AGREEMENT ESTABLISHING COMPANY TO BE DRAWN UP BY COMMITTEE CONSISTING OF LEE MOORE, ATTORNEY GENERAL OF ST. KITTS, REPRESENTING LDC'S AND ONE MEMBER EACH FROM MDC'S- JAMAICA, BARBADOS, TRINIDAD, AND GUYANA.

C) SPECIAL MANAGERS (LJFEUARACOOPER) TO BE APPROACHED WITH REQUEST FOR LEASE OR PURCHASE OF LIAT EQUIPMENT.

D) AIR CANADA TO BE REQUESTED EVALUATE LIAT EQUIPMENT, SUCH EVALUATION TO BE BINDING ON BOTH SIDES;

E) NEW COMPANY TO BE CAPITALIZED AT EC\$ 20 MILLION, OF WHICH LIMITED OFFICIAL USE

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EC \$5 MILLION TO BE PAID UP. LDC'S WOULD PAY FOR THEIR SHARES

OVER A FIVE-YEAR PERIOD, MDC'S FOR THEIRS OVER A SHORTER (UNSPECIFIED) PERIOD. SHARES TO BE DISTRIBUTED AS FOLLOWS: BARBADOS AND TRINIDAD/TOBAGO 15 PERCENT EACH; JAMAICA AND GUYANA 5 PERCENT EACH; ANTIGUA, BRITISH VIRGIN ISLANDS/ MONTserrat, DOMINICA, GRENADA, ST KITTS, ST LUCIA AND ST VINCENT 7.5 PERCENT EACH; AND MANAGEMENT 7.5 PERCENT.

F) CARIBBEAN DEVELOPMENT BANK AND GOVT TO BE APPROACHED FOR FINANCING.

G) AIR CANADA TO BE APPROACHED FOR PROVISION OF MANAGEMENT SERVICES;

H) THREE COMMITTEES TO BE SET UP TO CARRY ON NEGOTIATIONS 1) WITH GOVERNMENT OF CANADA AND AIR CANADA, (2) WITH COURT-LINE AND LYBRAND-COOPER, AND (3) BETWEEN LDC AND MDC'S AS SPELLED OUT IN 1 (B) ABOVE. RESPONSIBILITY FOR COORDINATING WORK OF THREE COMMITTEES ASSIGNED TO GEORGE WILLIAMS OF EASTERN CARIBBEAN COMMON MARKET SECRETARIAT. END UNCLASSIFIED

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2. REPORTEDLY PREMIER COMPTON OF ST LUCIA HAS STATED NEW COMPANY WILL LOSE EC \$1 MILLION A YEAR FOR THE FIRST FIVE YEARS AND "EVERYONE" UNDERSTANDS THIS.

3. BRITISH HIGH COMMISSIONER'S OFFICE HERE HAS INFORMED US THAT, WHILE PLAN HAS CERTAIN "PIE-IN-THE-SKY" ASPECTS, BRITISH ARE CONFIDENT "SOMETHING WILL COME OF IT."

4. COMMENT: CLEARLY, SOME PROGRESS HAS BEEN MADE TOWARD RESOLUTION OF PROBLEM OF ENSURING ALL-IMPORTANT AIR SERVICE TO LDC'S. MUCH REMAINS TO BE DONE, HOWEVER, AND WHILE BRITISH MIGHT BE WILLING CONTINUE ASSISTANCE TO LIAT BEYOND SEPTEMBER, IT IS CLEAR THAT REGIONAL GOVERNMENTS HAVE LIMITED TIME WITHIN WHICH TO ESTABLISH NEW COMPANY. END COMMENT END LIMITED OFFICIAL USE.

SIMMS

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